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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS

DAVID DUNN, as Trustee of)
the AMH Litigation) Adversary Proceeding No.
Trust,) 21-03423
Plaintiff,)
VS)
HARLAN H. CHAPPELLE, et al.,)
Defendants.)

ORAL AND VIDEOTAPED DEPOSITION OF RANDY LIMBACHER
MAY 25, 2023

ORAL AND VIDEOTAPED DEPOSITION OF RANDY LIMBACHER,
produced as a witness at the instance of the Plaintiffs
and duly sworn, was taken in the above styled and
numbered cause on Thursday, May 25, 2023, from 2:30 to
6:29 p.m., before Janalyn Elkins, CSR, in and for the
State of Texas, reported by computerized stenotype
machine, viz Zoom, pursuant to the Federal Rules of
Civil Procedure and any provisions stated on the record
herein.

[PAGES INTENTIONALLY OMITTED]

<p style="text-align: right;">Page 74</p> <p>1 Q. And is that referring to what you testified</p> <p>2 about a little bit ago in terms of there being more debt</p> <p>3 accrued during the end of 2018 than you had realized?</p> <p>4 MR. PETERS: Objection, form.</p> <p>5 THE WITNESS: The actual debt levels were</p> <p>6 higher than what we had in our model that we used to</p> <p>7 prepare a model for the company and suggest a business</p> <p>8 plan of the company. Yes. That's -- I could have just</p> <p>9 said yes. That's the absolute deadline.</p> <p>10 Q. (BY MR. YODER) And then after that you</p> <p>11 reference that, (Reading:) The debt created an even</p> <p>12 greater sense of urgency on the next steps we need to</p> <p>13 take.</p> <p>14 Do you see that?</p> <p>15 A. Yes, I see that.</p> <p>16 Q. And why was that?</p> <p>17 MR. PETERS: Objection, form.</p> <p>18 THE WITNESS: Well, we had liquidity</p> <p>19 concerns. At lower perceived debt level there would be</p> <p>20 more liquidity concerns if debt was higher.</p> <p>21 Q. (BY MR. YODER) Underneath that, you see where</p> <p>22 the italicized text and then it says, (Reading:)</p> <p>23 Drilling costs were never 3.4 million and went by the</p> <p>24 fourth quarter and the focus was 100 percent on volumes</p> <p>25 and we were installing EFPs on every well. The costs</p>	<p style="text-align: right;">Page 76</p> <p>1 Q. (BY MR. YODER) And then the statement</p> <p>2 referencing how Alta Mesa probably had not reported</p> <p>3 accurate capital since the second quarter, is that</p> <p>4 trying to capture the point that the accountings for</p> <p>5 capital expenditures was not capturing the full spend on</p> <p>6 EFPs and other well drilling completion costs?</p> <p>7 MR. PETERS: Objection, form.</p> <p>8 THE WITNESS: Yes, I think it was that</p> <p>9 there was a -- that there was a disconnect between the</p> <p>10 capital that was accrued and the capital that was</p> <p>11 actually spent.</p> <p>12 As I mentioned before, to make field level</p> <p>13 estimates and then as the actual numbers come in, you go</p> <p>14 back and you revise those estimates. And so there's a</p> <p>15 90-day-or-more process until you get the actual</p> <p>16 estimates -- the actual cost to bump up against the</p> <p>17 estimates.</p> <p>18 So there's a lag time between when you have</p> <p>19 the actual numbers and versus what you're just</p> <p>20 estimating them to be.</p> <p>21 Q. (BY MR. YODER) And those differences and that</p> <p>22 lag time were the main reason for the higher end of year</p> <p>23 debt -- total debt figure for 2018, compared to what you</p> <p>24 had expected in the modeling you did in December</p> <p>25 of 2018, right?</p>
<p style="text-align: right;">Page 75</p> <p>1 were closer to 4.3 million. The higher numbers were</p> <p>2 never included in the models or financial reporting. We</p> <p>3 probably have not reported accurate capital since the</p> <p>4 second quarter?</p> <p>5 A. I see that.</p> <p>6 Q. So is it your belief at this time -- do those</p> <p>7 statements reflect your beliefs as of this time?</p> <p>8 MR. PETERS: Object to form.</p> <p>9 THE WITNESS: As of that time, that would</p> <p>10 have been my belief.</p> <p>11 Q. (BY MR. YODER) Do you believe that Alta Mesa</p> <p>12 was installing EFPs on every well January 2018?</p> <p>13 MR. PETERS: Objection, form.</p> <p>14 THE WITNESS: At -- at some point they</p> <p>15 were. I don't remember exactly when that started to</p> <p>16 occur.</p> <p>17 Q. (BY MR. YODER) And because of ESPs and other</p> <p>18 costs, the costs per well were closer to 4.3 million,</p> <p>19 right?</p> <p>20 MR. PETERS: Objection, form.</p> <p>21 THE WITNESS: Yeah, I don't recall exactly</p> <p>22 other than, yes, we thought the costs were higher than</p> <p>23 what was being used to make the estimates for the</p> <p>24 balance sheet that we were given to run our financial</p> <p>25 model.</p>	<p style="text-align: right;">Page 77</p> <p>1 MR. PETERS: Objection, form.</p> <p>2 THE WITNESS: They -- they contributed to</p> <p>3 that.</p> <p>4 Q. (BY MR. YODER) Underneath that italicized</p> <p>5 paragraph, do you see where you wrote, (Reading:) I</p> <p>6 will also say that the accounting issues, lack of</p> <p>7 processes and systems and cultural issues will prove to</p> <p>8 be more of a challenge than what I first thought?</p> <p>9 A. Yes, I see that.</p> <p>10 Q. So is it fair to say, then, by January 31, 2019</p> <p>11 you had determined that your task at Alta Mesa was more</p> <p>12 challenging than you had expected it would be when you</p> <p>13 first started in December 2018?</p> <p>14 MR. PETERS: Objection, form.</p> <p>15 THE WITNESS: It was certainly going to be</p> <p>16 different or have some additional issues to address.</p> <p>17 Q. (BY MR. YODER) What were you referring to in</p> <p>18 that sentence on accounting issues?</p> <p>19 A. As we found out as we went through the process,</p> <p>20 there were some material weaknesses in accounting that</p> <p>21 kept us from filing financial statements for a period of</p> <p>22 time.</p> <p>23 Q. What about lack of processes and systems, what</p> <p>24 were you referring to in that?</p> <p>25 A. Generally referring to management reporting</p>

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<p style="text-align: right;">Page 78</p> <p>1 systems to track day-to-day business.</p> <p>2 Q. What were you referring to on cultural issues?</p> <p>3 MR. PETERS: Objection, form.</p> <p>4 THE WITNESS: Cultural issues, I think the</p> <p>5 main concern was over following them, so making sure the</p> <p>6 different departments are talking to each other.</p> <p>7 Q. (BY MR. YODER) What do you mean by following?</p> <p>8 A. So one of the things that many companies that</p> <p>9 I've been involved with what you see is you have to have</p> <p>10 good communication between the operating and the</p> <p>11 financial reporting group to compare estimates versus</p> <p>12 actuals over a period of time.</p> <p>13 Q. And so as a challenge that you face at Alta</p> <p>14 Mesa when you first arrived that the operations team and</p> <p>15 the financial and accounting teams were not</p> <p>16 communicating well?</p> <p>17 MR. PETERS: Objection, form.</p> <p>18 THE WITNESS: The challenge is that there</p> <p>19 weren't systems in place that were designed to bump</p> <p>20 those things against each other to check them.</p> <p>21 Q. (BY MR. YODER) Then in the next sentence you</p> <p>22 see where you wrote, (Reading:) Of concern is that</p> <p>23 there are no management reports that would be typically</p> <p>24 used to run and track the business.</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 80</p> <p>1 prior management had spent hundreds of millions of</p> <p>2 dollars on a drilling permit when -- without that sort</p> <p>3 of reporting in place?</p> <p>4 MR. PETERS: Objection, form.</p> <p>5 THE WITNESS: No.</p> <p>6 Q. (BY MR. YODER) Why were you not surprised?</p> <p>7 A. The plan they carried out is what they put in</p> <p>8 place when they did the original transaction and what</p> <p>9 they said they were going to do as far as those types of</p> <p>10 activities. So I think they were following through on</p> <p>11 the plans they put in place.</p> <p>12 Q. And you weren't surprised to find out they</p> <p>13 weren't tracking to see if the plan was actually</p> <p>14 working?</p> <p>15 MR. PETERS: Objection, form.</p> <p>16 THE WITNESS: I think it's -- I think it's</p> <p>17 an overstatement to say that they weren't tracking.</p> <p>18 They didn't have some of the things that were typical</p> <p>19 that I was used to using or saying. But I don't think</p> <p>20 it would be fair to say they didn't track or follow any</p> <p>21 of those things.</p> <p>22 Q. (BY MR. YODER) Are you aware of any -- what</p> <p>23 specific tracking steps prior management took to keep</p> <p>24 track of what was going on?</p> <p>25 MR. PETERS: Objection, form.</p>
<p style="text-align: right;">Page 79</p> <p>1 A. I do see that.</p> <p>2 Q. Why was that a concern?</p> <p>3 A. Well, there are things that you want to know on</p> <p>4 a regular basis, like what's your daily production</p> <p>5 volume. So it's good to know what daily production</p> <p>6 volumes are, whatever it took to run your business,</p> <p>7 weekly or monthly operating expense reports, things of</p> <p>8 that nature.</p> <p>9 Q. And the lack of manager reports typically used</p> <p>10 to run and track the business make it more difficult to</p> <p>11 see if a drilling program was sticking to budget for</p> <p>12 expenditures and production targets?</p> <p>13 MR. PETERS: Objection, form.</p> <p>14 THE WITNESS: I'm sorry. Could you repeat</p> <p>15 that?</p> <p>16 Q. (BY MR. YODER) Would the lack of manager</p> <p>17 reports typically used to run and track the business</p> <p>18 make it more difficult to see if a company's drilling</p> <p>19 program was adhering to the budget for expenditures and</p> <p>20 achieving production targets?</p> <p>21 MR. PETERS: Objection, form.</p> <p>22 THE WITNESS: Yes.</p> <p>23 Q. (BY MR. YODER) When you arrived at Alta Mesa</p> <p>24 and found out that there was a lack of such manager to</p> <p>25 run and track the business, were you surprised that the</p>	<p style="text-align: right;">Page 81</p> <p>1 THE WITNESS: No.</p> <p>2 Q. (BY MR. YODER) If you look at the next page of</p> <p>3 your notes here under summary conclusions, first</p> <p>4 paragraph there talks about a modeling for different</p> <p>5 capital scenarios. Do you see that?</p> <p>6 A. I do.</p> <p>7 Q. And then below that it says, "Some key points</p> <p>8 from the scenario analysis include" and then lists some</p> <p>9 bullet points. Do you see that?</p> <p>10 A. I do see that.</p> <p>11 Q. And in the first bullet point you see where you</p> <p>12 wrote, (Reading:) More importantly, our upstream debt</p> <p>13 covenants are breached by the second quarter of 2019 and</p> <p>14 are breached in the midstream business by 2020?</p> <p>15 A. I see that.</p> <p>16 Q. Was your modeling at the time reflecting that</p> <p>17 there could be debt covenant issues at some point during</p> <p>18 2019 for the upstream business?</p> <p>19 MR. PETERS: Objection, form.</p> <p>20 THE WITNESS: In that scenario they would</p> <p>21 be.</p> <p>22 Q. (BY MR. YODER) The next sentence there you</p> <p>23 wrote, (Reading:) We plan to begin conversations with</p> <p>24 the revolver banks by the week of February 10 and</p> <p>25 believe soon we will need to start the process of</p>

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